was set up by RBI to look into various issues with a view to improving the organisational effectiveness of RBI. Based on the report of the Inhouse Group, an Internal Task Force was set np to formulate a Corporate Plan for the bank. An external consultant has also been appointed to guide and assist the Task Force in plan formulation and also for organisational and systems studies. Final Corporate Plan has not yet been prepared by RBI.

NRI Recommendations on PDS

2572. SHRI SATYA PRAKASH MALAVIYA:
SHRI ANANT RAM JAISWAL:
SHRI MOHINDER SINGH LATHER:

Will the Minister of FINANCE be pleased to state:

(a) whether certain NRI experts on the India's economic reforms commissioned by the Ministry have, in their report, recommended on a scrapping of PDS besides removal of subsidies on fertilizers, irrigation and electricity;

(b) if so, what are the salient features of the recommendations made by these experts; and

(c) what is the decision of Government, if any taken thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) and (b) On the request of the Ministry of Finance two internationally renowned economists, namely, Prof. Jagdish Bhagwati and Prof. T. N. Srinivasan prepared a report on 'India's Economic Reforms' which was released in July 1993 for public information and debate on our ongoing economic reforms.

The authors have not suggested scrapping of the Public Distribution System (PDS). They have recommended reforms in the PDS which should aim at improving its targetting of the poor, so that the costs of resulting from extensive leakage to the non-poor is minimised and more benefits reach the poor even if the subsidies are reduced or abolished.

The authors have also recommended removal of three major subsidies on agricultural inputs such as fertilizers, irrigation and electricity on the premise that the entire set of reforms implemented in conjection with the subsidy removal is still likely to be favourable to agrcultural incentives as seems to be the case in many developing conntries.

On agricultural credit, the authors feel that the policy of subsidising interest rates helps predominantly the non-poor farmers and should be withdrawn. The problem for the poor farmers instead is access to credit which should be ensured through the financial sector reforms currently envisaged by the Government.

On foreign trade in agricultural products, the authors recommend scrapping of quantitative restrictions and canalisation and replacing these with appropriate tariffs.

(c) The Government is keen that there should be a thorough public discussion on the key issues in agricultural sector and effective policy measures could then emerge within the overall framework of the new economic policy which the Government is committed to pursue.

Supervision Authority for the working of Financial Investment

2573. SHRI S. S. SURJEWALA: Will the Minister of FINANCE be

pleased to state:

(a) whether Government have accepted the proposal to establish a New Supervisory Authority to oversee the working of the Financial Institutions/Banking System; if so, what are the details thereof;

(b) whether the supervisory authority will be under the supervision of Reserve Bank of India or will be an indepent authority; and

(c) whether the functioning of the authority will be overlapping the already established system or be clearly demarcated?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) to (c) It has been decided to set up a Supervisory Body under the aegis of Reserve Bank of India. The structure and functions of this body are under formulation.

Rationale behind specific duty on Cigarettes

2574. SHRI MOHD. KHALEELUR RAHMAN:
SHRI G. G. SWELL:
SHRI P. UPENDRA:
SHRIMATI MIRA DAS:
SHRI CHIMANBHAI MEHTA:

Will the Minister of FINANCE be pleased to refer to the answer to Unstarred Question 895 given in the Rajya Sabha on the 3rd August, 1993 and state:

(a) what are the reasons that the excise duty on luxury item like cigarettes is specified-based when other essential commodities and *ad valorem* based;

(b) what is the rationale behind the imposition of specific duty on above luxury item which is against the principle of elasticity of increasing revenue with increasing prices of commodities;

(c) whether it is a fact that the excise duty on cigarettes is not a very decisive and biggest component in determining the price structure of the commodity;

(d) if so, applicability of specific duty rate on size, whether on high priced or low priced cigarettes work in favour of high priced cigarettes manufacturing industry;

(e) whether it is a fact that cigarettes in the top range prices are levied with specific duty that works out below 45 per cent of their value and medium and low ranged priced cigarettes taxed on specific basis works out between 66 to 74 per cent of their value;

(f) whether it is a fact that *ad-valorem* duty at 1986-87 level if applied to today's world give Rs. 500 crores more to excise revenue; and

(g) whether Government have taken inflexible stand on mode of specific taxation on cigarettes when on factual basis it is found that accrual of revenue is much lower compared to *ad valorem*?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) Apart from cigarettes, specific rates of excise duty are leviable on a number of other commodities like cement, tyres, sugar, aerated water, man-made fibre and yarn, petroleum products, refrigerators etc. mainly on administrative considerations.

(c) to (e) The excise duty on cigarettes is only one of the components of the price of the cigarettes. In the case of commodities subject to specific duty, the *advalorem* incidence will vary with their value and cigarettes are no exception to this. Excise duty on cigarettes is specific based on the length of the cigarettes